



Aimee M. Smith  
Senior Counsel

101 Ash Street, HQ-12  
San Diego, CA 92101

Telephone: (619) 699-5042  
Facsimile: (619) 699-5027  
amsmith@sempra.com

April 7, 2008

**VIA ELECTRONIC AND OVERNIGHT MAIL**

Honesto Gatchalian  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: Reply Comments of SDG&E (U 902 E) on Draft Resolution E-4160

Dear Mr. Gatchalian:

In accordance with Rule 14.5 of the Rules of Practice and Procedure of the California Public Utilities Commission (the "Commission") and the instructions accompanying draft Resolution E-4160 (the "Draft Resolution"), San Diego Gas & Electric Company ("SDG&E") submits these reply comments concerning the Draft Resolution, which seeks to implement certain aspects of Senate Bill ("SB") 1036.

SB 1036 modifies administration of the Renewable Portfolio Standard ("RPS") program and requires the Commission to implement certain ratemaking changes. The Draft Resolution in its original form proposed the following ratemaking and other actions in order to implement SB 1036:

- 1) Directs the investor-owned utilities ("IOUs") to adjust their respective public purpose program ("PPP") rate components collecting the PGC;
- 2) Directs the IOUs to amortize funds transferred from the NRRA in their PPP rate component;
- 3) Directs Bear Valley Electric Services ("BVES") to establish an account to record unencumbered renewable funds transferred from the CEC back to BVES;
- 4) Establishes the total amount of AMF funds available to each utility for the procurement of eligible renewable energy resources;
- 5) Outlines the methodology for an AMF Calculator for the calculation of AMFs requests and the tracking of approved AMFs requests;

- 6) Sets forth eligibility criteria for power purchase agreement ("PPA") costs that may be applied to the cost limitation;
- 7) Sets forth reasonableness standards for reviewing above-MPR contract costs; and
- 8) Sets forth administration rules for the AMFs.

In a letter to Executive Director, Paul Clanon, filed jointly with several other parties, SDG&E requested that the Commission bifurcate implementation of SB 1036 by first approving the proposals related to Issues 1 through 3 above and then separately addressing Issues 4 through 8 through workshops and comments.<sup>1/</sup> This bifurcation request was granted, with the caveat that Issue 4 might be considered along with Issues 1-3, rather than with Issues 5-8.<sup>2/</sup>

In its comments on the Draft Resolution filed April 1, 2008, SDG&E supported the proposals set forth in the Draft Resolution concerning Issues 1 through 3 and urged the Commission to adopt them without further delay. It raised no objection to the proposal to address Issue 4 in the Draft Resolution, provided that certain errors in the data used to derive the relevant AMF cap for each utility were remedied. As directed by the Commission, SDG&E also described in its comments several problematic aspects of the proposals in the Draft Resolution related to Issues 5 through 8.<sup>3/</sup>

SDG&E notes that several parties voiced concern in their comments regarding the proposals related to Issues 5 through 8, which highlights the importance of fully examining these proposals through workshops and comments and/or briefs. In addition, SDG&E believes that the concerns raised by Southern California Edison Company ("SCE") regarding Issue 4 (the methodology used to calculate each IOU's AMF) merit further discussion and therefore recommends that the Commission consider this issue along with Issues 5 through 8 in workshops, rather than addressing it in the Draft Resolution.<sup>4/</sup>

Best regards,



Aimee M. Smith

Cc: President Peevey  
Commissioner Grueneich  
Commissioner Bohn

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<sup>1/</sup> See Letter to Paul Clanon from William V. Walsh, dated March 28, 2008.

<sup>2/</sup> See Letter to William V. Walsh from Paul Clanon, dated March 28, 2008.

<sup>3/</sup> See *id.* SDG&E does not waive its right to raise additional and/or different concerns in the context of any future proceedings regarding these and/or related issues.

<sup>4/</sup> See Comments of SCE on Draft Resolution E-4160, dated April 1, 2008, pp. 3-5.

Comments on Draft Resolution E-4160

April 1, 2008

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Commissioner Chong

Commissioner Simon

Lionel Wilson, CPUC General Counsel (Acting)

Angela Minkin, Chief Administrative Law Judge

ALJ Burton Mattson

ALJ Anne Simon

Sean Gallagher, Director, CPUC Energy Division

Cheryl Lee, CPUC Energy Division

Service List for Resolution E-4160 (R.06-02-012/R.06-05-027)

## CERTIFICATE OF SERVICE

I hereby certify that a copy of **REPLY COMMENTS REGARDING DRAFT RESOLUTION E-4160** has been electronically mailed to each party of record on the service list in R.06-05-027 and R.06-02-012. Any party on the service list who has not provided an electronic mail address was served by placing copies in properly addressed and sealed envelopes and depositing such envelopes in the United States Mail with first-class postage prepaid.

Copies were also sent via Federal Express to the following individuals:

Commissioner Michael R. Peevey  
Commissioner Dian Grueneich  
Commissioner John Bohn  
Commissioner Rachelle Chong  
Commissioner Timothy Simon  
Lionel Wilson, CPUC General Counsel (Acting)  
Angela Minkin, Chief Administrative Law Judge  
ALJ Burton Mattson  
ALJ Anne Simon  
Sean Gallagher, Director, CPUC Energy Division  
Honesto Gatchalian

Executed this 7<sup>th</sup> day of April 2008 at San Diego, California

/s/ Jodi Ostrander  
Jodi Ostrander